



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ March 17, 2014 _____ Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an examination report on the City of Van Meter, Iowa for the period July 1, 2012 through June 30, 2013. The examination was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible and develop additional written policies and procedures. The City should also perform independent reviews of utility billings, collections and delinquent accounts.

A copy of the examination report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1321-0239-BLOF.pdf>.

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CITY OF VAN METER
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

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City of Van Meter

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Allan Adams	Mayor	Jan 2016
Becca Wiederholt	Mayor Pro Tem	Jan 2014
Richard Booge	Council Member	Jan 2014
Adam Coyle	Council Member	Jan 2014
Bob Lacy	Council Member	Jan 2016
Kimberly Sacker	Council Member	Jan 2016
Jake Anderson	City Administrator	Indefinite
Liz Thompson	City Clerk	Indefinite
Erik Fisk	Attorney	Indefinite



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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of the City Council:

We have performed an examination of the City of Van Meter pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Van Meter for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.


10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.


Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Van Meter, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Van Meter, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Van Meter and other parties to whom the City of Van Meter may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Van Meter during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 10, 2013

Detailed Recommendations

City of Van Meter

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. A limited amount of individuals are responsible for the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, checkwriting, mailing, recording and reconciling.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Long-term debt – recording, reconciling and maintaining.
- (6) Utilities – billing, collecting, depositing and posting.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reviewed by an independent person.

Recommendation – Procedures should be established to have an independent person or a City Council member review the reconciliation and monitor delinquent accounts each month. The review of the reconciliation should be evidenced by the signature or initials of the reviewer and the date of the review.

- (C) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for two of four meetings tested were not published within fifteen days. Also, minutes for one meeting were not published. In addition, minutes for four meetings tested were not signed and did not include a reason for each claim approved.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days, as required, including a reason for each claim approved. In addition, the City should ensure minutes are signed.

- (D) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety, community and economic development, general government, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City of Van Meter

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (E) Financial Condition – The Debt Service and Capital Projects Funds had deficit balances of \$29,368 and \$18,545, respectively, at June 30, 2013.

Recommendation – The City should investigate alternatives to eliminate these deficit balances to return the funds to a sound financial position.

- (F) Urban Renewal Annual Report – The City's ending cash balance of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary did not agree with the City's general ledger. Also, the amount reported by the City as outstanding TIF debt did not include rebate agreements.

Recommendation – The City should ensure the cash balance and debt amounts reported on the Levy Authority Summary agree with the City's records.

- (G) Utility Billings, Collections and Delinquent Accounts Policy – The City does not have a written policy on utility billings, collections and writing off delinquent accounts.

Recommendation – The City should adopt a written policy on utility billings, collections and writing off delinquent accounts.

- (H) Computer System – The following weaknesses in the City's computer system were noted:

The City does not have written policies and procedures for:

- Password privacy and confidentiality.
- Requiring password changes every 60 to 90 days.
- Allowing only authorized personnel to request resetting their own passwords.
- Not allowing another employee to request a reset of a password for another employee and then having access to this password.

Recommendation – The City should develop written policies and procedures addressing the above items to improve the City's internal control over its computer system.

City of Van Meter

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (I) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Bob Lacy, Council Member, Owner of Bob's Auto Parts	Vehicle repair and maintenance	\$ 1,495
Dave Herman, Public Works employee, brother owns Herman Welding	Welding services	600

Recommendation – In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Council Member and public works employee do not appear to represent conflicts of interest since the total transactions with each individual were less than \$1,500 during the fiscal year.

- (J) Checks Signed in Advance – Certain checks are signed before the check payee and amount are completed.

Recommendation – Checks should not be signed in advance.

- (K) Petty Cash and Change Funds – The petty cash and change funds did not reconcile to the authorized amounts. The City's reconciliation was not performed in a timely manner for either the Petty Cash or Change Fund.

Recommendation – To provide better control and overall accountability, the petty cash and change funds should be reconciled in a timely manner.

City of Van Meter

Staff

This examination was performed by:

Brian R. Brustkern, CPA, Manager
Russell G. Jordan, CPA, Staff Auditor
Benjamin R. Salow, Auditor Intern

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State